

## **CHAPTER 11**

### **PROJECT CLOSEOUT**

#### **OVERVIEW**

This chapter describes the steps required to close out a TSEP project. "Project closeout" is the process by which MDOC determines that all applicable administrative actions and all work required by the grant have been completed in accordance with the terms and conditions of the TSEP contract for assistance. A TSEP grant recipient can submit a project closeout report once the project engineer has issued a Certificate of Substantial Completion.

The ease with which the TSEP grant recipient can complete these requirements usually depends on the extent to which the recipient has maintained accurate and up-to-date records and files, as outlined in the previous chapters. All of the information needed to complete the project closeout should exist within the project files and require little, if any, additional information gathering.

This chapter focuses on the following:

- reviewing audit requirements (see Chapter 4, Financial Management) related to closeout and determine whether the project requires conditional or final closeout approval from MDOC;
- preparing a Final Project Performance Report and either a Conditional or Final Certification of Completion and Status of Funds Report (depending on audit requirements).

Exhibit 11-A, Project Completion Report Instructions, provides detailed steps designed to assist TSEP grant recipients in successfully accomplishing project closeout.

#### **APPLICABLE STATE REQUIREMENTS**

##### **STEP 1 -- DETERMINE FINAL AUDIT REQUIREMENTS**

Specific audit requirements must be determined on a case-by-case basis for TSEP projects due to the complexity and variety of audit situations. As stated in Chapter 4, Financial Management, the Montana Single Audit Act requires that the governing body or managing or executive officer of each local government entity receiving revenues or financial assistance in excess of the threshold dollar amount established by the Director of the Office of Management and Budget (OMB) pursuant to 31U.S.C. 7502 (A)(3) (currently \$500,000), but regardless of the source of revenue or financial assistance during the reporting period (one fiscal year) must ensure that an organization-wide audit is completed at least every 2

years. For example, a TSEP project may be audited more than once or not at all before closeout, depending on the specific situation. If all audit requirements have been met before closeout, the TSEP grant recipient can submit a “final closeout certification.” If the project must be included in the next organization-wide audit, the TSEP grant recipient must submit a “conditional closeout certification to MDOC.” At the discretion of MDOC staff, a final closeout certification may be completed when 100% of the TSEP funds have been drawdown, and at least 90% of the funds are included within a local government’s audit.

## **STEP 2 -- PREPARE PROJECT COMPLETION REPORT AND CERTIFICATIONS**

**Within 90 days following the Certificate of Substantial Completion being issued, the TSEP grant recipient must submit a Project Completion Report (PCR) to the TSEP liaison assigned to the project.** MDOC will review the PCR and respond within 60 days.

The completed PCR must consist of the forms contained in the exhibits and include narrative discussions and charts and tables, where possible, to summarize information. (The instructions for completing the PCR are provided as Exhibit 11-A.) The PCR must cover the following topics and provide the information required in Exhibits 11-B and C.

- the progress on each TSEP funded activity and a narrative discussion explaining any differences between proposed accomplishments and actual accomplishments achieved;
- Status of Funds and Certification of Conditional or Final Closeout; and
- the TSEP grant recipient’s acceptance of the project and explanation of open-ended action items, such as compliance with state prevailing wage requirements or other third party claims.

The TSEP grant recipient must also attach any other evidence of program performance including letters from state agencies or local citizens.

Before the TSEP grant recipient can conditionally closeout the project, the local government must:

- be in compliance with the auditing and reporting requirements provided for in 2-7-503,
- have established a financial accounting system that the department can reasonably ensure conforms to generally accepted accounting principles (GAAP). Tribal governments must comply with auditing and reporting requirements provided for in OMB Circular A-133 instead of 2-7-503. New water, wastewater and solid waste districts that did not have an existing accounting system and initially set up an accounting system just to be able to account for expenses related to the project, must now have a complete accounting system that can account for the operational needs of the system.

- depending on the type and scope of project, provide a long-term operations and maintenance plan to ensure that the facility being constructed will be properly operated and maintained. A long-term operations and maintenance plan will be required when a new facility is being constructed and the local government has no history of operating the facility. It may also be required if the local government has never adopted a long-term operations and maintenance plan for an existing facility, or MDOC considers it to be inadequate. *Discuss with the MDOC liaison what is required.*

### **Typical Components of a Long-Term Operations and Maintenance Plan**

Several concerns need to be addressed in a long-term operations and maintenance plan, including:

Operation and managerial responsibilities, including discussions of such items as operator certification, permit requirements, reporting procedures, self-monitoring requirements, renewal date for permit, general plant operation and control procedures, common operating problems, and emergency operations and fail-safe procedures.

Laboratory Testing, including discussions of such items as the purpose for testing, the sampling program, operator/laboratory references, daily operational control testing, interpretation of results, and sample lab work sheets.

Records, including discussions of such items as daily operating records (log), laboratory records, maintenance records, personnel records, O & M costs, and annual report.

Maintenance, including discussions of such items as the maintenance schedule for all equipment, inventory system, tools and special equipment, and warranty provisions.

Safety, including discussions of such items as hazards and an emergency operating response program.

In addition, the TSEP staff will want to ensure that the local government has set reasonable user fees to allow the facility to be adequately operated and maintained.

MDOC may conduct a final monitoring visit prior to project closeout. A final visit is generally not necessary if the project had been previously monitored and found to be in substantial compliance. However, if there were any substantial issues identified through earlier monitoring visits, a final visit may be necessary to ensure that the specific issues have been satisfactorily resolved.

After the audit requirements for the project have been determined in Step 1, the TSEP grant recipient can then proceed according to one of the applicable steps outlined below

and request either a conditional closeout or final closeout from MDOC.

#### Procedure A -- Audit Required - Conditional Closeout Followed by a Final Closeout

TSEP grant recipients that are required by the Montana Single Audit Act to wait and have the TSEP project covered by the next organization-wide audit of the community and those TSEP grant recipients that may conduct a separate project audit in order to comply with the Montana Single Audit Act, must submit a conditional closeout certification. The TSEP grant recipient must submit a Final Project Performance Report and Certification of Completion and Status of Funds Report (Exhibits 11-B and C). Parts A through D are required to be completed; Part E is not required to be completed. The date of the next organization-wide audit must be provided to MDOC.

As discussed in Chapter 4, Financial Management, two percent (2%) of the total authorized grant amount will be retained from the final Request for Funds Report by MDOC until all tasks identified in the contract have been completed by the recipient and approved by MDOC. **Once a conditional closeout has been completed and approved by MDOC the two percent (2%) retainage will be released to the TSEP grant recipient.**

Some TSEP grant recipients include funds in their TSEP project budget to cover all or a portion of the audit costs. The percentage of the total audit costs that should be charged to the TSEP project should be proportional to the percentage TSEP funds of the total amount of funds covered by the TSEP grant recipient's audit. After all other project activities are completed, any other unexpended TSEP funds from the balance remaining will be reserved to cover the TSEP project's share of audit costs, or, in the event that a project-specific audit is conducted, the direct costs of the audit.

It is the responsibility of the TSEP grant recipient to submit their audit report along with a corrective action plan, if applicable, to the Department of Commerce, Local Government Services Bureau. All audit findings must be resolved within 6 months of the issuance of the audit report.

After the project is audited and sent to MDOC, and all TSEP related audit findings are resolved, Certification of Completion and Status of Funds Report (Exhibit 11-C) must be resubmitted to MDOC. Part E (Final Certification) is required to be completed instead of Parts C and D (Conditional Certification). MDOC will review the certification report and make a final closeout approval determination if all documents are acceptable and all adverse findings in the audit report are resolved. If TSEP funds are to be used to pay a portion of the audit costs, the TSEP grant recipient must provide information regarding the rationale for the portion of the audit cost to be charged to TSEP. MDOC will then release funds equal to the TSEP

portion of the audit cost to the recipient. MDOC will retain any unexpended TSEP funds remaining for other TSEP projects. If insufficient funds exist to cover the final audit cost, the TSEP grant recipient must pay the difference.

If the final computation of the TSEP grant balance indicates that drawdowns exceeded actual program expenditures, MDOC will require the TSEP grant recipient to reimburse the state the excess amount of unobligated TSEP funds. If an audit identifies any disallowed costs, the TSEP grant recipient must resolve the situation to the satisfaction of MDOC or refund immediately to MDOC the total amount identified by the auditor as unallowable. MDOC retains the right to recover an appropriate amount after fully considering the recommendations on disallowed costs resulting from the final audit.

For any unsettled third party claims against TSEP project, the TSEP grant recipient must resolve the claims and submit a final closeout certification after their resolution.

#### Procedure B -- All Audits Completed - Final Closeout

Projects that are ready for final closeout, where no closeout documents have been submitted to MDOC previously, must submit a completed Final Project Performance Report and Certification of Completion and Status of Funds Report (Exhibits 11-B and C) to the TSEP liaison. Part E (Final Certification) is required to be completed; Parts C and D (Conditional Certification) are not. In order to submit a final closeout certification, there cannot be any unresolved third party claims against the TSEP grant recipient.

MDOC will then release remaining TSEP funds equal to the TSEP portion of the audit cost to the recipient, if applicable. MDOC will retain any remaining balance. If insufficient funds exist to cover the final audit cost, the TSEP grant recipient must pay the difference.

If the computation of grant balance indicates that drawdowns exceeded actual program expenditures, MDOC will require the TSEP grant recipient to reimburse the state the excess amount of unobligated TSEP funds. If the audit identified any disallowed costs, the TSEP grant recipient must have resolved the situation to the satisfaction of MDOC or refund the total amount identified by the auditor as unallowable to MDOC immediately. MDOC retains the right to recover an appropriate amount after fully considering the recommendations on disallowed costs resulting from the final audit.

## **RECORDS RETENTION**

**The TSEP grant recipient must retain all TSEP and the project related records for three years after the final project closeout.**

## **CHAPTER 11**

### **EXHIBITS**

11-A Project Completion Report Instructions

11-B Final Project Performance Report

11-C Certification of Completion and Status of Funds Report